course of to-day or to-morrow. I do not want to make any statement about the resolution at present except to point out that the Government is at one with the mover as regards the necessity for the appointment of a committee. The mover has, however, indicated the composition of the committee by saying that 12 out of the 15 members should be elected by the non-official Members of the Legislative Council, the remaining three being nominated by the Government. This is a matter on which I am not going to make a commitment at this stage. As I stated, already the personnel of the committee the Government has resolved to appoint is left for future consideration. If, on Mr. Mathew pressing his resolution in the House, it is carried out, it is time for the Government to give due consideration to the recommendation of the Council regarding the personnel.

Mr. C. A. Kunjunni Raja.—In the light of what has fallen from the Diwan-President on behalf of the Government, I do not wish to move the motion.

Mr. Thomas Manjuran.—Am I to understand that the Hon'ble Member for Jenmies is withdrawing the Bill?

President.—The Government is going to appoint a committee; so there is no necessity for his motion.

Mr. Thomas Manjuran.—That may be made clear.

President.—Mr. Raja, I suppose, in withdrawing, you meant to withdraw the Bill also.

Mr. C. A. Kunjunni Raja.—Yes, Sir.

The motion the and Bill were withdrawn with leave.

Resolutions on matters of General Public Interest;—

4. Test Audit.

President.—Next item, resolution standing in the name of Mr. Kunjunni Raja.

Mr. C. A. Kunjunni Raja.—In the last Council a resolution for a test audit was brought which was slightly different from that of the present resolution. That resolution runs thus: "*That this Council requests that the Government will be pleased to make arrangements as early as practicable for the Test Audit of the accounts of the State by a competent officer from the British service as was done in 1079 and 1083*". From a perusal of the discussion that took place then, it will be found that the main objection of the non-official side then was with regard to the specification of the officer to conduct the audit. It was almost agreed that the test audit was essential. Since there was no suitable amendment for the proposition before the Council, in the last Council that resolution was lost. In order to avoid the difficulty I have omitted the latter part of that resolution with regard to the personnel of the officer who is to

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conduct the test audit. Of course it must be said that he must be an independent and competent officer and the choice should be left to the Government. The main thing that is wanted is the test audit to be conducted. Our Account Department was re-organised in 1074 and 1075 by Mr. Swaminatha Ayyar, an officer of the British Service, and he also drew up an *Account Code* in which there was specific provision that there must be a test audit every now and then by a competent outside officer. The wording in the *Code* was as follows :—

The objects of the test audit are to see

(i) whether the provisions of the *Code* are properly understood and applied;

(ii) whether they require any amendments and if so, in what direction;

(iii) whether the officers of the State have given their attention to the substantial rather than the formal part of audit; and lastly

(iv) whether any defalcation, loss of money, etc., has occurred, and if so, whether it was due to any error or neglect of rules or defect in the *Code*.

According to this provision there were two test audits in our State in 1079 and 1083; and for the last 20 years there was no test audit at all. I am sure that time has come for a test audit. The long period of twenty years would reveal a melancholy state of affairs as a result of the test audit. This matter was also considered by the Special Finance Committee. Although the Committee accepted the resolution moved on that behalf by Rao Sahib Mr. T. V. Kasturi Ranga Ayyar, nothing was mentioned about it in the main report, and in his dissenting minutes the Diwan Peishkar had occasion to refer to this aspect of the question. It is very interesting to read what he was written. His words require deep consideration and much importance should be attached to his pronouncements. He is one of the most experienced and eminent officers of the State. These are his words:—"The time has now come to overhaul the system of our account keeping and to introduce such reforms as are necessary to make the system up-to-date. The time has also now come to take up for consideration the question of the separation of finances into two broad classes, namely, (i) those relating to essential services, such as general administration, administration of justice, maintenance of law and order, Palace, subsidy and the like, and (ii) those relating to development and quasi-commercial heads. It is usual for all Governments that have undertaken large schemes of development to exhibit their finances under the above two heads and to ear-mark for expen-

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diture on development works the revenues from development and quasi-commercial sources of revenue. Revenue from Railway, Forests, Customs and sale proceeds of Government lands under the head 'Capital Land Revenue' do not come under the category of 'direct taxation' and development schemes have a legitimate demand for funds on these sources of revenue. With this object in view, I suggested to the Committee more than a year ago the inclusion of the following question also in the questionaire sent out to the non-official gentlemen and retired officers :—

'' Having regard to the fact that the present system of accounts was introduced into the State several years ago, has not the time now come to consider the question of a change of the system and a reconstitution of the whole Department ? Do you think it necessary that an expert Account Officer of high status from the Indian Finance Department should be got down to examine our present system of accounts and audit, and suggest improvements, especially in view of the fact that several defalcations have taken place in recent years ? My suggestion was not accepted by the Chairman. The present system of audit and accounts has not undergone any material changes since it was introduced 30 years ago, and revised in certain respects in three instalments by the special audit officer, the late Mr. Hensman in 1079, 1084 and 1086. During the 17 years that have since then gone by, our revenues and expenditure have considerably expanded, and I leave it to the Government to decide whether it is not desirable in the interests of efficiency and safe-guarding of public funds to get our system thoroughly examined at this stage by an expert with a view to its being brought on a par with the existing system in British India with such modifications as are necessary to suit the altered conditions in our State. The Mysore account system may be taken as a model. The advice of the expert will also be of use in organising a State-aided Bank, the necessity for which was brought to the notice of the Government in a resolution passed by our Legislative Council about a year ago.''

There are also other matters to be considered. There was a proposal from the Comptroller of Accounts himself for the creation of a Financial Secretariat. In all the Governments there is a separate Financial Secretariat. That paragraph with regard to Financial Secretariat in the main report of the Finance Committee is also very interesting. Para 79 reads thus :—

" The Government have referred to us for consideration the proposal of the Comptroller for the establishment of a Financial Secretariat. The proposal appears to us to be calculated

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to promote administrative efficiency and to reduce correspondence work. It is also desirable that the Comptroller of Accounts as the Finance Member of the Legislative Council should be more in touch with administrative matters than he is now, which he will be, if he is made Ex-officio Financial Secretary to Government as in Travancore. This proposal, we think, can be given effect to without any additional expenditure by the readjustment of work in the Secretariat and the Comptroller's office. We all, are also agreed in thinking that a Financial Secretariat with a separate Secretary possessing expert knowledge will, no doubt, be a great improvement upon the present system, but its cost will be out of proportion to the advantages that can be reasonably anticipated from it ".

So there are admittedly many matters to be considered and our account system has to be made up-to-date, and it is highly necessary that a test audit by a competent officer preferably from outside be conducted at an early date. In British India the Accountant-General is appointed directly by the Secretary of State and is beyond the Comptroller of the Indian Government ; so he is able to give expression fully without any fear to whatever defects he comes across. In Cochin the Comptroller is under the Diwan and is not bold enough to stand against the violation of *Code* Rules by the Diwans. For these reasons I commend the motion standing in my name to the acceptance of the House.

The resolution reads thus : —

" *This Council recommends that arrangements be made for the test audit of the accounts of the State.*"

Mr. P. Krishna Menon.—I second the resolution more from a point of formality than of necessity. Speaking of the last test audit done by Mr. E. S. Hensman of the Madras Accountant-General's Office in 1079, it is not necessary for my present purpose to go into the details of the work done by that officer and of its results. Suffice it to say that several defects and irregularities were disclosed by the audit, though they were not of a very serious nature, except in one instance, and that several important suggestions were made by the Special Audit Officer for improving the administration of the Account and Audit Department.

It need not be supposed that this resolution is proposed because there is any great apprehension of the existence of any serious irregularity or even of serious defalcations. It is nothing but natural that the work when conducted without the assistance of expert critics for a period of about 20 years such a work might have gone a little astray here and there. It

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is to find out such slips and also to make suggestions for improving that that we, on this side, propose this test audit at present. As for reasons we cannot do more than emphasise the reasons suggested by the Leader of the House in the report which has been just read out. With these few words I beg to second the proposition brought forward and it may be accepted. There may be no speeches from this side.

President.—There is an amendment to the resolution by Mr. Ramachandra Ayyar.

Mr. P. Krishna Menon.—In the light of the explanation given to the resolution I do not think it is necessary for this amendment to be moved. The resolution suggests only competent persons whether in service or out of service. It is not restricted.

President.—The resolution is of a general nature. The amendment, if accepted, will limit the power with reference to selection.

Mr. T. A. Ramachandra Ayyar.—I bring in this amendment so that no one may know, the ins and outs of our State. I do not press the amendment.

(*Hence the following amendment was considered withdrawn*).—

Mr. T. A. Ramachandra Ayyar.—'*Insert in the end "to be conducted by some competent person not in service under any Government"*'.

Mr. K. Krishna Pisharodi.—Sir, I rise to oppose the resolution.

As the House is already aware, this subject was once fully discussed and disposed of by the last Council, and I regret I can see no fresh grounds now for a reconsideration of the matter.

As was explained by me on the last occasion, the objects of the test audit laid down in the *Code* are to see.—

(1) whether the provisions of the *Code* are properly understood and applied ;

(2) whether they require any amendment, and if so, in what direction ;

(3) whether the officers of the State have given their attention to the substantial rather than the formal part of audit ; and lastly

(4) whether any defalcation, loss of money, etc., has occurred, and if so, whether it was due to any error or neglect of rules or defects in the *Code*.

The circumstances under which the test audits were conducted in 1079 and 1083 do not exist now. They were conducted at a time when there was no separate Account Department, controlled by trained and experienced men for expert check.

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The House will, I think, agree with me when I say that we have now a set of trained officers to examine the accounts of the various offices.

Defalcations that occurred in some Departments a few years back are not the result of any defect in the rules, and I do not know how a test audit can prevent defalcations in future. I may also state that the British Rules issued from time to time on various matters relating to accounts and audit are ascertained and introduced here according to requirements. Further a test audit is 'no remedy for defalcations' as observed by one of the Members during the last discussion. Such defalcations are also not a feature peculiar to our State. They have occurred in other States and in British India as well from where we have to get down expert officers.

Many of the Hon'ble Members who took part in the discussion on the subject last time are present here now also, and I think I may well refer to some of the relevant portions of their remarks. The Member for the Jews in his own words 'though a hater of the bureaucracy all the world over' supported the bureaucracy in opposing the resolution with these pregnant words:—"I find that this is no proper remedy at all for defalcations and other dishonest acts that took place in the land. That entirely depends upon the character of the particular officer concerned, and for the sins of the few, generalised condemnation is indeed not justified."

Then again the Member for the Ezhuvas, I mean, Mr. M. K. Raman, vehemently, and rightly too, I think, laid stress on the fact that the bringing in of an outsider for the purpose of auditing our accounts is 'discreditable'. Several other Members also held the same view, and I do not consider it necessary to take up the valuable time of the House by referring to all of them.

The acceptance of the resolution tantamounts to an admission of the non-existence of competent men here for the work. It is not proper on my part to discuss this point, and it is for the Hon'ble Members to judge the condition here. I may, however, point out that, as far as I know, no independent Government submit themselves to an audit by an outsider, and for that matter, the accounts of the sister States of Travancore and Mysore do not appear to be subject to such test audits.

Again, with regard to the utility of the test audit, I could not help repeating now, as I did last time, the following words of no less a person than our late Diwan Mr. (now Sir) A. R. Banerji.

'It seems to me to be undesirable that a self-contained administrative machinery like the Cochin Government should have

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to rely on some outsider in regard to matters of finance..... A test audit, every three years, by an outside officer can serve no useful purpose. He can only point out past irregularities and make suggestions for future procedure in a voluminous report, the outcome of which is a long Diwan's Proceedings, and the only practical result derived therefrom is a rectification of a few errors of procedure'.

I may also state that no defalcation or other serious irregularity has fortunately come into view of late justifying the entertainment of any apprehension as to whether the function of the Account Department are properly attended to or not.

To sum up, may I ask is the test audit proposed as an antidote against defalcations? I do not think that any of my friends on the other side will think that a test audit can prevent defalcation. Again, if past defalcations were due to defective rules, then I could understand the test audit officer suggesting amendments to rules to ward off future cases of defalcation. I wonder what a test audit officer could do for non-observance of rules on the part of officers which have led to defalcations in the past.

Again, may I ask—is the proposed test audit to bring our account system on a par with the existing system in British India? I do not know why an expensive test audit is necessary for this purpose when we have before us copies of not only the British *Codes*, but also the *Codes* of other States with up to date correction slips to refer to and make such modifications in our system as we may deem necessary.

Again, may I ask, is the test audit expected to result in an increased efficiency of my Department? I do not know how it can. We have now got a set of trained officers, and it is a mystery to me now a test audit officer can instil greater efficiency into our Department, by a random audit of some b lls.

In these circumstances, I think that the House will agree with me in thinking that the practical outcome of a test audit in the words of Sir A. R. Banerji can only be a "long Diwan's Proceedings and utmost the rectification of a few errors of procedure."

Mr. V. K. Kochunni Menon.—The objection raised in the last Council was mainly against the appointment of a highly-paid British officer for the audit. The necessity for a test audit was not seriously questioned. The present resolution is in general terms and it does not preclude the appointment of any competent person for the purpose, and I, therefore, support the resolution. The test audit is necessary if the rules and instructions are properly framed. (*Hear, hear.*) That can be

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ascertained only by a proper test audit. It is immaterial whether it is done by an officer of the State or an outsider. It will be enough if the Comptroller does it (*no, no*). Then an outsider may be appointed. The resolution does not stand in the way.

Mr. Thomas Manjuran.—They may be competent to discharge the work satisfactorily.

President.—In the last year's resolution we made a reference to bring in an outside officer—not outside man.

Dr. A. R. Menon.—What is the objection on the part of the Government to have the Department properly examined? The Department states 'we are alright'. We say 'you are not'. It is only a matter of statement. So there must be somebody from outside to decide this question, whether our contention is right or whether your contention is right. Defalcations have taken place, and you were not able to charge the man responsible for that, and then you come forward and tell us 'We are following the up-to-date method and we are up-to-date in matters of business and other things'.

President.—Now, the resolution before the House is "*That this Council recommends that arrangements be made for the test audit of the accounts of the State.*"

(*The resolution was put and agreed to, the officials only voting against.*)

Mr. A. B. Salem.—We want a poll, Sir.

President.—Only the officials are against.

Mr. A. B. Salem.—Then that may be noted.

(*The House rose for lunch at 2-7 p. m. and met again at 3 p. m. with the Deputy President in the Chair.*)

5. Special Officer for Irrigation.

Mr. K. T. Mathew.—Sir, I will, with your permission, slightly alter the resolution in view of the consultation which I had with some of the Members of this Council and the new resolution will now run like this :—

"*This Council recommends to the Government to appoint a Special Officer to be in charge of Irrigation.*

Deputy President.—The Member is allowed to make the change.

Rao Sahib Mr. T. V. Kasturi Ranga Ayyar.—What about your proposal for the Department?

Mr. K. T. Mathew.—I don't press at present to create a new Department for that. Sir, in moving the resolution it is not necessary to emphasise the importance of irrigation and also agriculture. It is an admitted fact that India is an agricultural country and our State is pre-eminently an agricultural State. To quote from an article written by Mr. R. A. Gayatrinatha Ayyar,

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